

**OFFICE OF THE UNITED STATES TRADE REPRESENTATIVE**

**Executive Office of the President**

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**USTR ANNOUNCES UKRAINE'S DESIGNATION AS A PRIORITY FOREIGN COUNTRY  
UNDER SPECIAL 301**

The Office of the United States Trade Representative today announced that it has designated Ukraine as a "Priority Foreign Country" under the U.S. Government's "Special 301" program. "Special 301" reviews examine the adequacy and effectiveness of intellectual property protection in certain countries and are designed to advance the protection of intellectual property rights. This action is being taken as a result of Ukraine's persistent failure to take effective action against significant levels of optical media piracy and to implement adequate and effective intellectual property laws.

According to industry, Ukraine is the largest producer and exporter of pirated optical disks in Europe. Ukraine's exports of pirated compact discs (CDs) are disrupting markets throughout the region and beyond. For over two years, the U.S. Government has been urging the Ukrainian Government to close down the pirates' CD production facilities and enact legislation to adequately protect copyrights. Despite many promises, including high-level commitments made in June 2000, the Ukrainian Government has been unwilling to curtail the activities of these pirates.

USTR has also initiated an investigation of Ukraine's practices under Section 301 of the Trade Act of 1974. As part of this process, USTR has requested consultations with the Government of Ukraine to discuss its concerns. Failure by the Government to address these concerns within three months of initiating the investigation could lead to the imposition of trade sanctions. Further, this failure to protect intellectual property rights could jeopardize Ukraine's efforts to join the World Trade Organization (WTO) and undermine its efforts to attract trade and investment.

The U.S. Government will remain actively engaged with Ukraine, to help and encourage the nation to combat piracy and to enact the intellectual property rights legislation required by both the 1992 bilateral Trade Relations Agreement and the WTO Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS).

The U.S. Government has been consulting with the European Union and other countries about the serious piracy problem in Ukraine. We are pleased to see the European Union actively engaged in trying to resolve this problem and in upgrading Ukraine's intellectual property rights regime.

#### Background:

Since 1999, pirates operating in Ukraine have produced and exported massive numbers of unauthorized CDs. The U.S. recording industry estimates that for each of the last two years Ukraine has produced and exported between 30 and 40 million pirated CDs and has the capacity to produce up to 70 million pirated CDs annually. Domestic Ukrainian demand each year, however, is only one to five million CDs. Ukraine has become a world leader in pirated CD production, and as a result, the U.S. recording industry estimates it loses over \$200 million annually.

In June 2000, Ukraine's President Kuchma committed through a Joint Action Plan to: (1) suspend unlawful and unlicensed CD production at Ukraine's CD factories; (2) adopt proper optical media production and distribution regulations, including the requirement of identification codes (SID), as well as the monitoring of raw material, manufacturing equipment, and the exports of products; and (3) improve significantly its copyright law and to introduce other legal reforms, including criminal and administrative penalties, necessary to implement a modern copyright regime. To date, Ukraine has not met any of these commitments.